

on bank deposits expressed in the old currency.¹ The purpose of this legislation was to overcome the effects of Gresham's law, under which persons having debts to pay or purchases to make would give their preference to the old currency, because it was cheaper than the new in gold. The new legislation so effectively accomplished its purpose that Mexican currency began gradually to leave the Islands considerably before the day for the enforcement of the tax, on October 1, 1904, and by that date had practically disappeared.²

The unit adopted by Congress for the Philippines was the silver peso, containing 416 grains of silver nine-tenths fine, which was approximately the equivalent of the Mexican silver peso. This was a larger amount of silver than was recommended originally, as it was desired to leave a considerable margin between the bullion value of the silver and its face value, in order to allow for fluctuations in the gold price of the metal. Silver bullion advanced so rapidly in price, however, after the efforts of the Commission on International Exchange in 1903 to bring about concurrent action of European governments in regard to their Eastern dependencies, that the Philippine peso became more valuable as bullion than its face value. The result was to cause some exportation of the coin, which was checked by an act of the Philippine Commission prohibiting such exportations. Subsequently an Act of Congress of July 23, 1906, authorized a reduction in the amount of silver contained in the peso and the commission provided for a coin containing 20 grams of

¹ Act 1045 of the Philippine Commission, enacted January 22, 1904.—Report of the Commission on International Exchange, 1904.

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² The adoption of a legal coinage on a gold basis contributed to check speculation in different varieties of coins as well as fluctuations in the value of silver bullion. It was declared by Judge Ide, December 1, 1905, that "all business transactions are in the new, the speculating and gambling in coin which formerly prevailed to so large a degree being entirely done away with."—Fourth Annual Report of the Secretary of Finance and Justice, 18.